HOUSING MARKET OUTLOOK
Vancouver and Abbotsford CMAs

CANADA MORTGAGE AND HOUSING CORPORATION

Date Released: Spring 2010

Vancouver Highlights

- Moderating MLS® sales and more homes listed for sale will move the resale market into more balanced market conditions.
- Home prices will rise 11 per cent this year, with most of the gains taking place in the first half of the year.
- Modest price growth is forecast for 2011.
- New home construction will increase, but stay below the ten-year average level, this year and next.
- Improving economic and labour market conditions will mean slightly lower rental apartment vacancy rates in 2010 and 2011.

Figure 1

Source: REBGV, Seasonal Adjustment by CMHC, MLS® is a registered trademark of the Canadian Real Estate Association

The forecasts included in this document are based on information available as of April 1, 2010.

Table of Contents

1 Vancouver Highlights
2 Existing Home Sales Move Up
2 Modest Increase in New Home Construction
3 Rental Market Vacancy Rate to Edge Lower
3 Economy
4 Abbotsford/Fraser Valley Highlights
5 Fraser Valley Resales to Remain Balanced
5 Abbotsford Housing Starts to Increase
6 Rental Market to Tighten in 2010
6 Economic Rebound in 2010 in the Abbotsford CMA
7 Vancouver Forecast Summary Table
8 Abbotsford Forecast Summary Table

SUBSCRIBE NOW!

Access CMHC's Market Analysis Centre publications quickly and conveniently on the Order Desk at www.cmhc.ca/housingmarketinformation. View, print, download or subscribe to get market information e-mailed to you on the day it is released. CMHC's electronic suite of national standardized products is available for free.

Figure 2

Source: REBGV * Includes only single detached homes

Resale Market Becomes More Balanced

MLS® sales in Greater Vancouver are forecast to moderate in the second half of 2010 and remain flat through 2011. While an improving local economy and job market, along with steady population growth, will support home ownership demand, higher mortgage rates will dampen demand starting in the second half of this year. In addition, much of the pent-up demand that built up during 2008, has been satisfied. In 2009, many first time home buyers made the move to home ownership, taking advantage of record low mortgage rates and prices that had fallen from their previous peak levels. While first quarter home sales this year were well above the low levels of the first quarter 2009, the pace of sales has slowed compared to last fall. This trend will continue, resulting in a three per cent decline in annual sales both this year and next.

At the same time that the pace of sales is expected to flatten, there will be more homes for sale. The steady increase in home prices during the past year has motivated potential sellers to list their homes. The number of new listings added to the market trended higher in the first quarter of 2010. However, strong sales have kept the total stock of active listings on the market well below previous peak levels reached in late 2008.

A combination of moderating sales and an increase in the number of listings will mean more balanced market conditions in Vancouver for the remainder of this year and into 2011. Expect to see fewer multiple offers on properties listed for sale. Buyers will have a larger selection of homes to choose from and more time to make their home purchase decision. With more homes on the market, there will also be less upward pressure on prices going forward.

As the resale market adjusts to more balanced supply and demand conditions, the pace of price growth will slow. However, there is often a lag between when conditions become more balanced and when prices react. As a result of high prices and robust sales in the early part of 2010, the annual average MLS® price will increase 11 per cent, with the most of the increase accounted for by the first half of the year. Balanced market conditions will result in home prices rising a more modest three per cent in 2011.

Price growth during the past year has varied by home type. As of March 2010, apartment condo and townhouse prices were two and three per cent above their previous peak levels, respectively. However, single detached home prices were seven per cent above their previous peak level, pushing the total price up nine per cent over the previous peak. Single detached home sales have shifted to the higher price ranges. For example, in 2009, 48 per cent of homes sold were priced above $700,000, while in the first quarter of 2010, 62 per cent of the total sales were above this threshold. Apartment condominium sales saw a smaller shift to higher price ranges, with the proportion sold at the upper end of the market (above $400,000) increasing from 32 per cent last year to 38 per cent of total sales in the first quarter of this year.

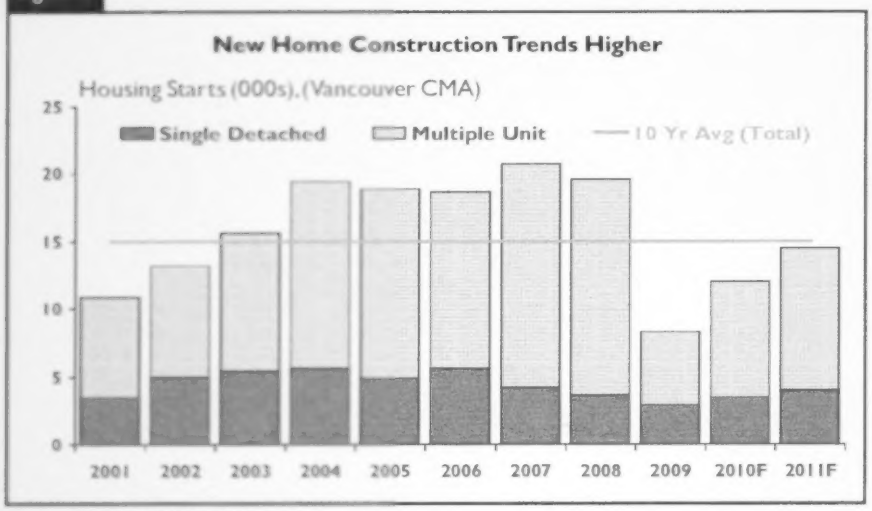
Modest Increase in New Home Construction

New home construction in the Vancouver CMA is projected to increase this year and next. An

[2] MLS® is a registered trademark of the Canadian Real Estate Association (CREA)

[3] This section deals with the resale market in the Real Estate Board of Greater Vancouver area. This area does not include Surrey, Langley, White Rock, or North Delta. Please see the Fraser Valley resale section for commentary on these communities as well as the Abbotsford CMA.

Figure 3



Source: CMHC, CMHC 2010 Q2 Forecast

improving local economy and job market will contribute to growth in housing starts. As well, an estimated 16,000 – 18,000 new households will be added to the region annually, largely as a result of migration, contributing to housing demand. The quick recovery in existing home sales and prices during the past year is also giving developers confidence to move forward with new projects. Foundations will be poured for 12,000 homes this year, a 44 per cent increase over 2009, and 14,500 units in 2011. Even with these robust increases, the number of starts will fall shy of the average for the last ten years (15,360).

There will be more single detached and multiple unit home building during the next two years. Single family home starts will increase, but because this type of construction saw less of a decline last year than did the multiple unit variety, growth will be more subdued (19%). Multiple unit starts are forecast to increase 57 per cent to 8,500 this year. A further 24 per cent boost in 2011 will bring multi family starts near the ten year average level. Larger multiple unit projects, which saw the sharpest decline in 2009, will start to return to the market. However, these projects will be flexible and started in phases, according to market demand.

Part of the reason for this cautious approach to new projects and for the moderate level of starts forecast for Vancouver is that the inventory of completed and unabsorbed new homes has been edging up. While the inventory of unsold single detached homes remains low, more newly completed apartment condominium units have recently been added to the supply. However, with monthly condo absorption rates during the first quarter of 2010 holding near the twelve month average pace, and with the HST deadline upcoming at the beginning of July, these units will likely be absorbed quickly.

Rental Market Vacancy Rate to Edge Lower

Rental apartment vacancies are forecast to edge slightly lower this year and next, after increasing in 2009. An improving job market and an expected net inflow of more than 40,000 migrants each year will support demand for rental accommodation. Another factor contributing to strong rental demand is that the difference between monthly rental costs and the cost of carrying a mortgage on an apartment condominium is growing. Condominium prices in many areas have rebounded from their previous lows, making rental accommodation a more attractive alternative for those looking to minimize their monthly outlay.

Strong demand for rental accommodation will keep average apartment rents increasing by four per cent this year and next.

Economy

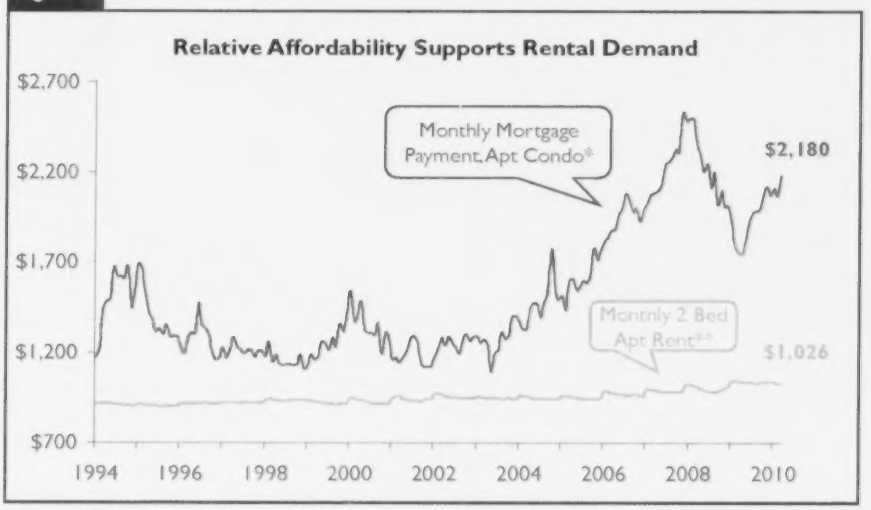
Economic conditions in the Vancouver CMA will be favourable for the housing market this year and next. 2010 began on an up note in the Vancouver CMA with the Winter Olympic Games boosting consumer spending in the region. Most sectors of the economy are poised for growth this year, following an overall contraction of the economy last year. On the services side, the wholesale and retail trade sector is expected to grow, as are the business and non-commercial services sectors. On the goods side, manufacturing will begin to expand as the US economy improves and demand for British Columbia exports rebounds.

Job growth this year and next will support demand for both ownership and rental housing. Vancouver CMA's job market is expected to pick up as the economy improves. A modest uptick in new home construction will add jobs and non residential construction employment will get a boost from large infrastructure and transportation projects. Some of the larger proposed projects expected to begin in 2010 include the Interior

– Lower Mainland Transmission Line Expansion, the Metro Vancouver Waste-to-Energy Incineration Facility, the BCIT Burnaby Campus Expansion, and the Surrey Memorial Hospital Emergency Department and Critical Care Tower[4].

Population growth in the Vancouver CMA will continue to contribute to demand for rental and ownership housing. An estimated 40,000 people are expected to move to the Vancouver region each year. This is will add some 16,000 – 18,000 new households each year, in need of housing. Most migrants to the Vancouver CMA are from international destinations, particularly Asia Pacific nations. For example, more than seven out of ten immigrants to Vancouver in the final quarter of 2009 came from Asia (Mainland China, India or Taiwan)[5].

Figure 4



Sources: REBGV, Bank of Canada, Statistics Canada, CMHC. *Seasonally adjusted mortgage payments on average priced apt condo, adjusted for inflation, P & I, 10% down payment, 25 year amortization, Bank of Canada posted 5 year mortgage rate.
** rents adjusted for inflation, Vancouver CMA

Abbotsford/Fraser Valley Highlights

• Fraser Valley resale market to remain balanced, with sales volumes projected to increase by nine per cent.

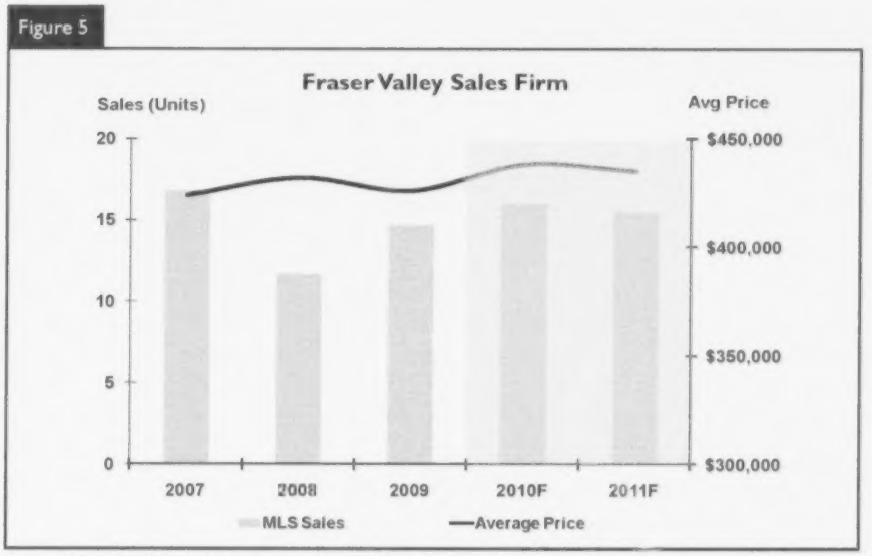
• Fraser Valley home prices to increase at a modest one to three per cent in 2010.

• Surrey will be the strongest housing market

• New home construction in the Abbotsford CMA is also forecast to increase but remain below its ten year average.

• Abbotsford rental market will tighten as demand increases from new immigrants.

Figure 5



Source: Fraser Valley Real Estate Board, CMHC Forecasts

[4] BC Stats, Major Projects Inventory, December 2009
[5] BC Stats, Fourth Quarter 2009 Immigration Tables. Data provided by Citizenship and Immigration Canada.

Fraser Valley Resales to Remain Balanced

The number of resales in the Fraser Valley is expected to remain strong during the second quarter of 2010, before moderating during the rest of the forecast period. A growing local economy will bolster home sales this year and next. However, mortgage interest rates are expected to start edging up in the second half of 2010, dampening demand for homeownership. As a result, many home buyers will enter the market earlier in the year to take advantage of historically low mortgage rates.

Overall, sales of existing homes in the Fraser Valley are projected to increase nearly nine per cent in 2010 and remain firm in 2011. The Abbotsford Census Metropolitan Area (CMA) is expected to follow a similar trend but sales in the CMA will continue to trail behind other centres that make up the Fraser Valley housing market . Surrey will account for the bulk of home sales, home price gains, and new construction as it is closer to the Metropolitan Vancouver's urban core and well linked by public transit and major thoroughfares. Also, Surrey is a diverse community that gains the benefit of strong migration. While Fraser Valley home sales will be robust, the annual total will remain below the peak levels seen in recent years.

Homeownership demand has been matched with an increase of new listings as existing homeowners, encouraged by the sales momentum and rising prices during recent months, have put their properties on the market. This increase in listings points to more balanced market conditions in the Fraser Valley and this will mitigate upward pressure on prices. Price increases are projected to be moderate – a three per cent boost – in 2010. Balanced resale market conditions are forecast to continue into 2011 and provide support for resale prices.

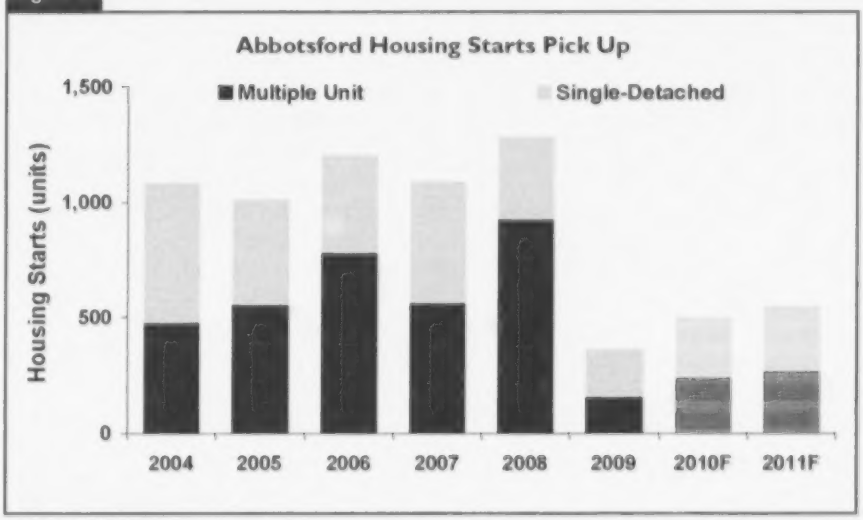
The price trend in the Abbotsford CMA is expected to lag that of the Fraser Valley throughout the forecast period. Markets in the Fraser Valley that are closer to the core of Metropolitan Vancouver tend to appeal to homebuyers who want a less expensive home but also want to keep their daily commute to major employment centres as short as possible. These markets, which are situated to the west of the Abbotsford CMA, will see prices rise ahead of those in the Abbotsford CMA. However, as average resale prices rise throughout the region, the appeal of the Abbotsford CMA is obvious, largely driven by its affordability especially among families who seek out communities with relatively low home prices as well as amenities, such as greater living space and larger properties than can be found in markets closer to the City of Vancouver. Average resale home prices in the Abbotsford CMA are projected to rise about one and three per cent in 2010 and 2011, respectively.

Abbotsford Housing Starts to Increase

Housing starts in the Abbotsford CMA are projected to increase in 2010 and 2011, but remain below the ten year average level. Improving sales of new homes have helped to reduce the stock of completed and unabsorbed new housing, prompting developers to start building again. Builders will focus on single detached construction as the inventory of completed and unabsorbed new single family homes has shown a much clearer downward trend than that of apartment and townhouse units during the past year.

The current inventory of completed unoccupied new homes is still at a level where developers perceive some slack in the market and are

Figure 6



Source: CMHC

cautious about bringing too many projects into the pipeline at once without supporting demand. There is optimism in the market as new housing starts in the Abbotsford CMA will increase 37 per cent from last year and rise a further 10 per cent in 2011.

Rental Market to Tighten in 2010

Rental vacancy rates are expected to moderate this year following a significant increase in rates in the Abbotsford CMA during 2009. According to the CMHC October 2009 Rental Market Survey, the average apartment vacancy rate in the CMA increased to 6.1 per cent from the 2.6 per cent recorded twelve months prior. Record low mortgage interest rates and lower housing prices in 2009 encouraged some renters to move into homeownership. However, now that home prices have moved higher and mortgage interest rates are expected to edge up, the shift from rental to ownership housing should moderate. With continued positive net migration into the CMA, demand for rental housing is likely to improve during the forecast period. Thus, vacancy rates are projected to dip and average rents are forecast to increase at a steady pace of approximately two per cent per annum in 2010 and 2011.

Economic Rebound in 2010 in the Abbotsford CMA

A brighter outlook for employment opportunities together with continued population growth will support housing demand in the Abbotsford CMA this year and next.

The Abbotsford CMA economy is projected to pick up alongside a growing BC economy in the coming 18 months. During the past year, the global economic downturn has dampened many regional economies especially those dependent on exports to U.S. consumer markets. Employment in the goods producing sector declined and has yet to display a clear trend of recovery. Meanwhile, employment in the services sector, which is the dominant sector in the Abbotsford CMA, has fared much better, trending up since mid-2009. Looking ahead, growth in the Abbotsford economy will create housing demand and employment opportunities.

Private sector investment will continue to support economic growth in 2010 in the Abbotsford CMA. Major projects and higher housing starts will boost both the construction and manufacturing sectors. With interest rates still at historically low levels, business investment intentions for 2010 are also on the rise. The number of building permits issued for non-residential buildings has increased about 28 per cent during the first quarter, from the same period a year ago. In the City of Abbotsford there is a substantial amount of land for industrial development, over 450 acres of new serviced industrial land, at a time when the supply of industrial land in many areas of Metropolitan Vancouver has declined. Commercial development is also on the rise as evidenced by a new, 650,000 square feet, destination shopping mall, Abby Lane, that will commence construction shortly. Improving consumer sentiment will drive demand for goods and services and bolster retail spending.

Net migration into the Abbotsford CMA is projected to increase this year and next. Over the next two years, the population in the Fraser Valley is projected to grow about 1.7 per cent per annum. Net migration, which totalled approximately 3,500 in 2009, resulted in population growth of nearly two per cent in the Fraser Valley. With more people moving into the area, demand for housing in the Fraser Valley will rise.

Mortgage Rates: The Bank of Canada cut the Target for the Overnight Rate in the early months of 2009. The rate was 1.50 per cent at the start of 2009 and has since fallen to 0.25 per cent. Looking ahead, we expect that short-term interest rates will begin to rise in the second half of 2010.

With the overnight rate expected to increase in the coming months, mortgage rates have begun to rise. According to CMHC's base case scenario, posted mortgage rates will gradually increase throughout the course of 2010, but will do so at a slow pace. For 2010, the one-year posted mortgage rate is assumed to be in the 3.6-4.8 per cent range, while three and five-year posted mortgage rates are forecast to be in the 4.2-6.7 per cent range. For 2011, the one-year posted mortgage rate is assumed be in the 5.0-6.0 per cent range, while three and five-year posted mortgage rates are forecast to be in the 5.6-7.2 per cent range.

Rates could, however, increase at a faster pace if the economy recovers more quickly than presently anticipated. Conversely, rate increases could be more muted if the economic recovery is more modest in nature.

Forecast Summary Vancouver CMA Spring 2010							
	2007	2008	2009	2010f	% chg	2011f	% chg
Resale Market							
MLS® Sales	38,978	25,149	36,257	35,000	-3.5	34,000	-2.9
MLS® New Listings	57,145	65,118	54,828	65,000	18.6	60,000	-7.7
MLS® Average Price ($)	570,795	593,767	592,441	655,000	10.6	675,000	3.1
New Home Market							
Starts:							
Single-Detached	4,211	3,634	2,929	3,500	19.5	4,000	14.3
Multiples	16,525	15,957	5,410	8,500	57.1	10,500	23.5
Semi-Detached	678	709	330	400	21.2	500	25.0
Row/Townhouse	2,635	2,309	1,655	2,100	26.9	2,300	9.5
Apartments	13,212	12,939	3,425	6,000	75.2	7,700	28.3
Starts - Total	20,736	19,591	8,339	12,000	43.9	14,500	20.8
Average Price ($):							
Single-Detached	840,045	904,239	905,011	900,000	-0.6	905,000	0.6
Median Price ($):							
Single-Detached	659,900	700,000	698,900	693,000	-0.8	695,000	0.3
New Housing Price Index (% chg)	7.1	2.3	-6.3	-1.0	-	1.0	-
Rental Market							
October Vacancy Rate (%)	0.7	0.5	2.1	1.5	-0.6	1.2	-0.3
Two-bedroom Average Rent (October) ($)	1,084	1,124	1,169	1,210	-	1,258	-
One-bedroom Average Rent (October) ($)	846	880	919	945	-	983	-
Economic Overview							
Mortgage Rate (1 year) (%)	6.90	6.70	4.02	4.23	0.2	5.56	1.3
Mortgage Rate (5 year) (%)	7.07	7.06	5.63	6.20	0.6	7.06	0.9
Annual Employment Level	1,222,700	1,241,600	1,234,200	1,260,000	-	1,290,000	-
Employment Growth (%)	3.0	1.5	-0.6	2.1	-	2.4	-
Unemployment rate (%)	4.0	4.3	7.0	6.9	-	6.5	-
Net Migration [1]	38,550	38,786	38,000	40,000	5.3	41,000	2.5

MLS® is a registered trademark of the Canadian Real Estate Association (CREA).

Source: CMHC (Starts and Completions Survey, Market Absorption Survey), adapted from Statistics Canada (CANSIM), CREA, Statistics Canada (CANSIM)
NOTE: Rental universe = Privately initiated rental apartment structures of three units and over
(1) 2009 migration data are estimates

Forecast Summary Abbotsford CMA Spring 2010							
	2007	2008	2009	2010f	% chg	2011f	% chg
Resale Market(1)							
MLS® Sales	18,032	12,588	15,660	16,000	2.2	15,500	-3.1
MLS® New Listings	29,920	31,826	26,433	29,000	9.7	29,500	3.5
MLS® Average Price ($)	423,761	431,781	425,796	438,000	2.9	435,000	-0.7
New Home Market							
Starts:							
Single-Detached	527	358	210	260	23.8	280	7.7
Multiples	561	927	155	240	54.8	270	12.5
Semi-Detached	8	46	2	10	##	15	50.0
Row/Townhouse	103	103	21	110	##	110	0.0
Apartments	450	778	132	120	-9.1	145	20.8
Starts - Total	1,088	1,285	365	500	37.0	550	10.0
Average Price ($):							
Single-Detached	517,840	548,363	540,985	565,500	4.5	566,500	0.2
Median Price ($):							
Single-Detached	489,950	517,950	520,000	521,000	0.2	522,000	0.2
New Housing Price Index (% chg) (B.C.)	6.5	2.1	-6.5	2.3	-	2.0	-
Rental Market							
October Vacancy Rate (%)	2.1	2.6	6.1	5.0	-1.1	4.5	-0.5
Two-bedroom Average Rent (October) ($)	752	765	781	795	-	810	-
One-bedroom Average Rent (October) ($)	610	627	640	640	-	660	-
Economic Overview							
Mortgage Rate (1 year) (%)	6.90	6.70	4.02	4.23	0.2	5.56	1.3
Mortgage Rate (5 year) (%)	7.07	7.06	5.63	6.20	0.6	7.06	0.9
Annual Employment Level	84,800	88,000	86,100	85,900	-	87,900	-
Employment Growth (%)	3.0	3.8	-2.2	-0.2	-	2.3	-
Unemployment rate (%)	4.0	4.3	7.0	7.5	-	8.1	-
Net Migration (2)	2,085	2,255	2,065	2,130	3.1	2,200	0.3

MLS® is a registered trademark of the Canadian Real Estate Association (CREA).

Source: CMHC (Starts and Completions Survey, Market Absorption Survey), adapted from Statistics Canada (CANSIM), Fraser Valley Real Estate Board (figures may differ from CREA due to inclusion of only single detached and condo data), Statistics Canada (CANSIM)

NOTE: Rental universe = Privately initiated rental apartment structures of three units and over

(1) Resale Market data and forecasts are for the Fraser Valley Real Estate Board Area (Includes Surrey, Langley, North Delta, White Rock, Abbotsford and Mission)

(1) 2009 migration data are estimates

Percentage change more than 200 per cent.

CMHC—HOME TO CANADIANS

Canada Mortgage and Housing Corporation (CMHC) has been Canada's national housing agency for more than 60 years.

Together with other housing stakeholders, we help ensure that the Canadian housing system remains one of the best in the world. We are committed to helping Canadians access a wide choice of quality, environmentally sustainable and affordable homes – homes that will continue to create vibrant and healthy communities and cities across the country.

For more information, visit our website at www.cmhc.ca

You can also reach us by phone at 1-800-668-2642 or by fax at 1-800-245-9274.
Outside Canada call 613-748-2003 or fax to 613-748-2016.

Canada Mortgage and Housing Corporation supports the Government of Canada policy on access to information for people with disabilities. If you wish to obtain this publication in alternative formats, call 1-800-668-2642.

The Market Analysis Centre's (MAC) electronic suite of national standardized products is available for free on CMHC's website. You can view, print, download or subscribe to future editions and get market information e-mailed automatically to you the same day it is released. It's quick and convenient! Go to www.cmhc.ca/housingmarketinformation

For more information on MAC and the wealth of housing market information available to you, visit us today at www.cmhc.ca/housingmarketinformation

To subscribe to priced, printed editions of MAC publications, call 1-800-668-2642.

©2010 Canada Mortgage and Housing Corporation. All rights reserved. CMHC grants reasonable rights of use of this publication's content solely for personal, corporate or public policy research, and educational purposes. This permission consists of the right to use the content for general reference purposes in written analyses and in the reporting of results, conclusions, and forecasts including the citation of limited amounts of supporting data extracted from this publication. Reasonable and limited rights of use are also permitted in commercial publications subject to the above criteria, and CMHC's right to request that such use be discontinued for any reason.

Any use of the publication's content must include the source of the information, including statistical data, acknowledged as follows:

Source: CMHC (or "Adapted from CMHC," if appropriate), name of product, year and date of publication issue.

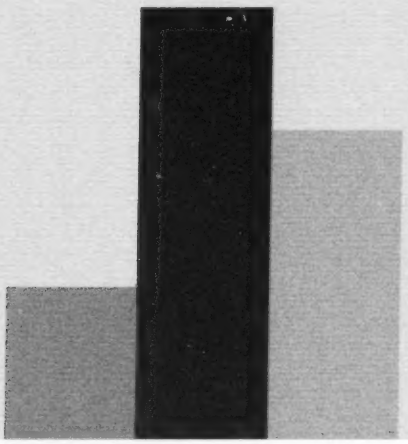
Other than as outlined above, the content of the publication cannot be reproduced or transmitted to any person or, if acquired by an organization, to users outside the organization. Placing the publication, in whole or part, on a website accessible to the public or on any website accessible to persons not directly employed by the organization is not permitted. To use the content of any CMHC Market Analysis publication for any purpose other than the general reference purposes set out above or to request permission to reproduce large portions of, or entire CMHC Market Analysis publications, please contact: the Canadian Housing Information Centre (CHIC) at mailto:chic@cmhc.gc.ca; 613-748-2367 or 1-800-668-2642.

For permission, please provide CHIC with the following information:
Publication's name, year and date of issue.

Without limiting the generality of the foregoing, no portion of the content may be translated from English or French into any other language without the prior written permission of Canada Mortgage and Housing Corporation.

The information, analyses and opinions contained in this publication are based on various sources believed to be reliable, but their accuracy cannot be guaranteed. The information, analyses and opinions shall not be taken as representations for which Canada Mortgage and Housing Corporation or any of its employees shall incur responsibility.

Housing market intelligence you can count on



FREE REPORTS AVAILABLE ON-LINE

- Canadian Housing Statistics
- Housing Information Monthly
- Housing Market Outlook, Canada
- Housing Market Outlook, Highlight Reports – Canada and Regional
- Housing Market Outlook, Major Centres
- Housing Market Tables: Selected South Central Ontario Centres
- Housing Now, Canada
- Housing Now, Major Centres
- Housing Now, Regional
- Monthly Housing Statistics
- Northern Housing Outlook Report
- Preliminary Housing Start Data
- Renovation and Home Purchase Report
- Rental Market Provincial Highlight Reports *Now semi-annual!*
- Rental Market Reports, Major Centres
- Rental Market Statistics *Now semi-annual!*
- Residential Construction Digest, Prairie Centres
- Seniors' Housing Reports
- Seniors' Housing Reports - Supplementary Tables, Regional

Get the market intelligence you need today!

Click www.cmhc.ca/housingmarketinformation to view, download or subscribe.

CMHC's Market Analysis Centre e-reports provide a wealth of detailed local, provincial, regional and national market information.

- **Forecasts and Analysis –** Future-oriented information about local, regional and national housing trends.
- **Statistics and Data –** Information on current housing market activities — starts, rents, vacancy rates and much more.

Canadian Housing Observer

Access current and previous editions of the Canadian Housing Observer publication as well as a variety of supporting data resources and improve your understanding of Canadian housing markets.

64363_2010_B01